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SUBJECT: INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT

PART II: MONEY LAUNDERING AND FINANCIAL CRIMES

REF: 04 STATE 254401

1. Introduction: Post appreciates the extensions given for completion of this report, but wishes to underscore the difficulties involved in collecting the data. The Government of Ghana employs one person at the Bank of Ghana to monitor all issues related to money laundering. His long recent absence, coupled with the lack of money laundering legislation, makes the collection of substantive data difficult. Post will continue to gather the information requested and report as soon as possible. Post has also made the passage of strong money laundering legislation an MPP tactic for 2005 and has requested ESF funds for technical assistance to achieve that goal. End Introduction.

2. Ghana is not a regional financial center, although the government is promoting efforts to model Ghana's financial system on that of the regional financial hub in Mauritius. The government developed new laws to stimulate financial sector growth, including the revision of the banking law to strengthen the operational independence of the Central Bank (Bank of Ghana). The Bank of Ghana imposed higher capital requirements to increase competition and force consolidation. Due to continuing turmoil in the region, Ghana's financial sector will likely take on more of a regional financial role as it develops.

3. The banking sector lacks a strong regulatory framework to prevent money laundering and other suspicious transactions, although it is sensitized to the importance of such a framework. The police suspect that nonbank financial institutions, such as foreign exchange bureaus, may be used to launder the proceeds of narcotics trafficking. The extent of this problem is unknown. They also allege that donations to religious institutions have been used as a vehicle to launder money. The number of "advanced fee" scam letters that originate in Ghana has increased dramatically, as have other related financial crimes, such as use of stolen credit and ATM cards.

4. The informal economy makes up approximately 45 percent of the total Ghanaian economy, according to World Bank estimates. Only a small percentage of this part of the economy, however, relies on the banking sector. Ghana's relatively low tariffs do not encourage smuggling. The lack of government resources, however, makes both the informal economy and smuggling difficult to track with accuracy.

5. According to our source in the Bank of Ghana, there is no evidence of the Government of Ghana or any of its senior officials promoting or engaging in laundering the proceeds from illegal drugs transactions or terrorist financing. Neither does Post have any knowledge of financial institutions engaged in money laundering.

6. Ghana has criminalized money laundering related to narcotics trafficking and other serious crimes. Law enforcement can compel disclosure of bank records for drug-related offenses, and bank officials are given protection from liability when they cooperate with law enforcement investigations. Local banks are not required to report suspicious transactions, but are required by the Central Bank to report their 20 largest deposits and 20 largest withdrawals on a weekly basis. The Central Bank circulated the list of individuals and entities on the UN 1267 sanctions committee to local banks but no assets have been identified. Ghana has cross-border currency reporting requirements. In December 2001, the Bank of Ghana began drafting money laundering legislation designed to increase the government's financial oversight capabilities. As of January 2005, the bill had not been submitted to Parliament and Post has been told it is still in executive branch consultations.

7. Ghana designated two areas, Tema and Sekondi-Takoradi, as free trade zone areas and also licenses factories outside the free zone area as free zone companies. Free-zone companies export at least 70 percent of their output. Most of the companies produce garment and processed foods. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies. Immigration and customs sources report they do not suspect any trade-based money laundering schemes.

8. The Narcotic Drug Law of 1990 provides for the forfeiture

of assets upon conviction of a money laundering offense. The Government of Ghana made no arrests or prosecutions related to money laundering in 2004.

9. Ghana participated in the formation of the Inter-Governmental Action Group Against Money Laundering (GIABA) at the December 2001 meeting of the Economic Community of West African States in Dakar. In July 2002, Ghana also hosted the 2002 West African Joint Operation Conference (WAJO) that promotes regional law enforcement cooperation against narcotics trafficking, terrorism, and money laundering. In May 2003, more than 40 representatives from financial institutions and law enforcement agencies participated in the Economic and Financial Anti-Fraud and Computer Crime Training Course.

10. Domestic security agencies cooperate in the fight against terrorism but need assistance. Ghana is a signatory to all twelve international anti-terror conventions, and has drafted legislation to enforce them. Ghana is a party to the 1988 UN Drug Convention and the UN International Convention for the Suppression of the Financing of Terrorism. Ghana has endorsed the Basel Committee's "Core Principles for Effective Banking Supervision." Ghana has bilateral agreements for the exchange of money laundering-related information with the United Kingdom, Germany, Brazil, and Italy.

11. Ghana's money laundering legislation is still being drafted and under discussion between ministries. Post will continue to pursue precision on the status of draft legislation. When legislation is finally passed the main obstacle will be the amount of resources required to enforce the legislation. Currently the Bank of Ghana has one employee tasked with tracking all suspicious transactions and money laundering cases for the entire government. Existing drug-related asset seizure laws are enforced, but the amounts involved are small, since most traffic is handled in cash. The lack of resources and manpower makes it almost impossible to ascertain the scope of money laundering and terrorist financing in Ghana.

YATES